

Message Text

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NSC-05 TRSE-00 USIA-06 AS-01 /084 W
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FM AMEMBASSY KATHMANDU
TO SECSTATE WASHDC 7832
INFO CINCPAC

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CINCPAC FOR POLAD

E.O. 11652: GDS
TAGS:AMGT, PFOR, XX
SUBJECT: PARM - ANNUAL POLICY AND RESOURCE ASSESSMENT - PART I

REF: CERP 0001

1. U.S. INTERESTS IN NEPAL, ALTHOUGH LIMITED, STEM FROM OUR REGIONAL CONCERN FOR PEACE, POLITICAL STABILITY AND ECONOMIC DEVELOPMENT OF SOUTH ASIA. OUR POLITICAL INTEREST LIES IN THE DESIRE TO MINIMIZE ANY DISPUTES BETWEEN NEPAL AND HER LARGER NEIGHBORS WHICH COULD ESCALATE INTO CONFRONTATIONS INVOLVING INDIA, THE PRC OR OTHER MAJOR POWERS. TO THE EXTENT OUR RESOURCES ALLOW, WE SUPPORT THE INDEPENDENT ECONOMIC DEVELOPMENT OF NEPAL, WHICH SERVES AS A BUFFER STATE BETWEEN INDIA AND CHINA. WE HAVE NO STAKE IN ANY PARTICULAR POLITICAL OR ECONOMIC STRUCTURE IN THE COUNTRY, AND WE SHOULD RECOGNIZE THAT OUR ABILITY TO INFLUENCE NEPALESE POLICY, BOTH DOMESTIC AND FOREIGN, IS LIMITED. NONETHELESS, WE ARE ABLE TO ENHANCE THE COUNTRY'S SELF-CONFIDENCE IN ITS DEALINGS WITH ITS NEIGHBORS THROUGH OUR DIPLOMATIC AND AID PRESENCE WHICH, IN ITSELF, ACTS AS AN IMPLICIT DETERRENT TO UNILATERAL ACTION BY EITHER INDIA OR CHINA. OUR ECONOMIC

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ASSISTANCE, BE IT AID, PEACE CORPS OR MULTI-LATERAL CONTRIBUTIONS, SERVES OUR CONTINUING POLITICAL INTEREST OF ENHANCING INTERNAL STABILITY. BEYOND THAT, THE U.S. HAS AN INTEREST IN ASSISTING NEPAL'S DEVELOPMENT AS PART OF THE STATUTORY U.S. LONG-TERM SECURITY INTEREST IN DEVELOPMENT OF THE WORLD'S LEAST DEVELOPED SOCIETIES.

2. NEPAL IS AN ACTIVE AND RESPONSIBLE MEMBER OF THE THIRD WORLD WITH

INFLUENCE BEYOND ITS SIZE OR ECONOMIC RESOURCES. NEPAL, FOR EXAMPLE, IS A MEMBER OF THE COORDINATING COMMITTEE FOR THE NON-ALIGNED AND PLAYS AN ACTIVE ROLE IN THE GROUP OF 77 FOR THE LAW OF THE SEA. ITS ROLE AS A MODERATE IN INTERNATIONAL FORA COULD SHIFT SOMEWHAT, BUT WE ARE STILL ABLE TO EXERT INFLUENCE AND SEEK SUPPORT FOR ISSUES OF VITAL CONCERN TO THE UNITED STATES, INCLUDING THE MIDDLE EAST AND KOREA. WE ARE ALSO ABLE TO MONITOR A BROAD RANGE OF THIRD WORLD ISSUES, GIVEN OUR ACCESS TO NEPALESE POLICY MAKERS AT ALL LEVELS. AS NOTED BY BOTH S/P AND NEA WE WILL PROBABLY BE DEVOTING INCREASING ATTENTION TO POLITICAL DIALOGUE WITH THE UNDERDEVELOPED WORLD IN GENERAL AND THE LEAST DEVELOPED IN PARTICULAR WITHIN THE CONTEXT OF NORTH-SOUTH PROBLEMS; WE WOULD EXPECT SUPPORT AND SYMPATHY FOR MANY U.S. POSITIONS FROM NEPAL. IF, AS S/P SUGGESTS, INTERNATIONAL MULTILATERAL CONFERENCE DIPLOMACY GROWS, WE EXPECT THAT THIS ASPECT OF OUR RELATIONS WITH NEPAL WILL BECOME EVEN MORE IMPORTANT IN THE FUTURE.

3. WE HAVE SPECIFIC INTERESTS IN NEPAL IN OTHER AREAS AS WELL. NEPAL IS A MAJOR PRODUCER OF CANNABIS AND DESPITE SOME PROGRESS IN NARCOTICS CONTROL IN RECENT YEARS, IT REMAINS A SOURCE OF ILLICIT NARCOTICS IN ASIA. OUR ECONOMIC INTERESTS IN THE COUNTRY ARE LIMITED, BUT TOURISM OFFERS A POTENTIAL FOR U.S. INVESTMENT. AS MAJOR DEVELOPMENT PROJECTS ARE IMPLEMENTED, SUCH AS MINERAL EXPLOITATION OR HARNESSING NEPAL'S VAST HYDRO-ELECTRIC RESOURCES, THE ROLE FOR THE UNITED STATES AS A MAJOR SUPPLIER OF EQUIPMENT AND TECHNOLOGY MAY GROW. NEPAL'S GEOGRAPHIC LOCATION AND ITS RELATIVELY OPEN SOCIETY OFFER US IMPORTANT OPPORTUNITIES FOR INFORMATION AND INTELLIGENCE

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ABOUT ITS NEIGHBORING STATES.

4. WE DO NOT ANTICIPATE ANY MAJOR DOMESTIC OR FOREIGN DEVELOPMENT WHICH WILL AFFECT U.S. INTERESTS IN THE NEXT ONE OR TWO YEARS. NEPAL'S RELATIONSHIP WITH INDIA, ALTHOUGH MARKED BY CONTINUING DIFFERENCES OVER TRADE AND TRANSIT, WILL PROBABLY REMAIN BASICALLY STABLE. WE CONTINUE TO BELIEVE THAT INDIAN POLICY, LIKE OUR OWN, SUPPORTS THE STATUS QUO IN NEPAL AND THAT INDIA WILL NOT INTERVENE IN NEPALESE AFFAIRS SHORT OF A MAJOR INTERNAL DISRUPTION. NEPAL'S RELATIONS WITH CHINA REMAIN GOOD AND DESPITE AN INCREASED PRC AID PRESENCE IN THE YEARS TO COME, WE ANTICIPATE NO MAJOR SHIFT IN THAT RELATIONSHIP. NEPAL'S MODERATING INFLUENCE IN THE NON-ALIGNED IS UNDER PRESSURE, NOT ONLY FROM WITHIN THAT ORGANIZATION, BUT ALSO FROM NEPALESE OFFICIALS WHO FEAR ALIENATING ARAB STATES TO WHICH THE COUNTRY LOOKS INCREASINGLY AS A SOURCE OF DEVELOPMENT ASSISTANCE. THE OBVIOUS DESIRE TO SEEK SUPPORT FROM THE NON-ALIGNED MUST BE BALANCED BY THE NEED, AS PERCEIVED BY SOME OFFICIALS, OF GIVING TACIT SUPPORT TO THE MORE RADICAL POLITICAL AND ECONOMIC POLICIES OF THAT BODY. CRITICISM

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OF THE KING'S CONSERVATIVE DOMESTIC POLICIES HAS BEEN MUTED, BUT THERE IS A CONTINUING MALAISE AMONG THE COUNTRY'S INTELLECTUALS OVER THE LACK OF LEGITIMATE POLITICAL INSTITUTIONS IN WHICH TO VOICE THEIR OPPOSITION. WHILE THERE IS NO THREAT TO THE GOVERNMENT OVER THE SHORT TERM, IT MAY RESORT TO MORE AUTHORITARIAN MEASURES, INCLUDING ARRESTS AND CENSORSHIP, TO QUELL OPPOSITION. NATION-ALISM IS CLEARLY A GROWING FORCE WITHIN THE COUNTRY. WHILE THIS WILL PROBABLY NOT AFFECT U.S. INTERESTS OR PROGRAMS DIRECTLY IN THE NEXT FEW YEARS, WE MUST REMAIN SENSITIVE TO THE GOVERNMENT'S CONCERN ABOUT THE MEMBERS OF FOREIGN TECHNICAL ADVISORS AND ITS EFFORTS TO LIMIT FOREIGNERS' LIFE STYLES TO BRING THEM MORE IN LINE WITH THE LOCAL POPULATION. ECONOMIC GROWTH REMAINS STAGNANT AND IS NOT ABLE TO KEEP PACE WITH THE RATE OF POPULATION INCREASE. WHILE NEPAL WILL REMAIN A NET FOOD EXPORTER FOR THE NEXT TWO YEARS, PROBLEMS OF INTERNAL DISTRIBUTION REMAIN. SHOULD THERE BE A WEAK MONSOON IN THIS PERIOD NEPAL WOULD PROBABLY HAVE TO TURN TO FOREIGN DONORS ONCE AGAIN TO MAKE UP ITS DEFICIT IN CERTAIN RURAL AREAS.

5. OUR ECONOMIC ASSISTANCE PROGRAMS CONSTITUTE A MAJOR PORTION OF US RESOURCES IN NEPAL. THESE PROGRAMS, MULTILATERAL AS WELL AS

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BILATERAL, ARE WELCOMED BY THE NEPALESE NOT ONLY AS A VITAL SOURCE OF DEVELOPMENT, BUT ALSO AS A POLITICAL/ECONOMIC COUNTERWEIGHT TO INDIAN AND CHINESE INFLUENCE. THE PL-480 RUPEES WITH WHICH WE HAVE FINANCED MUCH OF OUR ASSISTANCE IN THE PAST WILL SOON BE DEPLETED. ALTHOUGH IT IS LIKELY THAT OUR ASSISTANCE WILL CONTINUE TO BE FUNDED IN GRANTS AT LEAST FOR THE NEXT FEW YEARS, WE SHOULD BEGIN TO LOOK AT THE LONG RANGE PROBLEM OF NEPAL'S EXTERNAL DEBT FINANCING.

6. OUR SHORT TERM OBJECTIVES OBVIOUSLY EVOLVE FROM AND COMPLEMENT US INTERESTS AS OUTLINED ABOVE. IN THE POLITICAL AREA WE CONTINUE TO SEEK SUPPORT AND UNDERSTANDING ON MATTERS OF IMPORTANCE TO THE UNITED STATES, NOT ONLY IN THE UNITED NATIONS, BUT IN THE WHOLE RANGE OF INTERNATIONAL MULTILATERAL DIPLOMACY. OUR ABILITY TO INFLUENCE NEPALESE POLICY WILL BE AFFECTED NOT ONLY BY PRESSURES EXERTED BY NEPAL'S NEIGHBORS, BUT ALSO BY INCREASING EFFORTS TO INFLUENCE NEPAL BY THIRD WORLD RADICALS. HOWEVER, THE BROAD RANGE OF US INVOLVEMENT IN NEPAL AND OUR EASE OF ACCESS TO KEY OFFICIALS ASSURES US OF THE OPPORTUNITY TO SECURE A SYMPATHETIC UNDERSTANDING OF US POLICY.

7. OUR OBJECTIVE OF ENHANCING REGIONAL SECURITY AND STABILITY IS SUPPORTED BY THE BROAD RANGE OF US ACTIVITIES AIMED AT PROMOTING PEACEFUL ECONOMIC DEVELOPMENT AND EVOLUTIONARY SOCIAL CHANGE, SINCE A BREAKDOWN IN SOCIAL ORDER COULD PROMPT EITHER INDIA OR CHINA TO MOVE TO FILL A POLITICAL VACUUM ON ITS BORDERS. WE WILL CONTINUE TO ENCOURAGE NEPAL TOWARDS A BALANCED POLICY VIS-A-VIS ITS NEIGHBORS, SHORT OF ANY IMPLIED US INTERVENTION IN REGIONAL AFFAIRS. US PROGRAMS ARE SUPPORTIVE OF NEPAL'S DESIRE THAT NO ONE POWER GAIN PREEMINENCE, AND ARE VIEWED AS KEY COUNTERWEIGHTS TO CHINA, INDIA AND THE USSR.

8. NEPAL RANKS AMONG THE WORLD'S POOREST NATIONS. POPULATION GROWTH CONTINUES TO RUN AHEAD OF ECONOMIC GROWTH, AS WELL AS AGRICULTURAL PRODUCTION. LAND PRESSURES, ALREADY SEVERE IN THE HILLS AND

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MOUNTAIN AREAS, ARE BECOMING WORSE AS THE MOUNTAIN ECOLOGY IS DESTROYED THROUGH DEFORESTATION AND EROSION. THIS HAS RESULTED IN IRREPARABLE DAMAGE WHICH, UNLESS CONTROLLED, WILL CONTRIBUTE TO ECOLOGICAL DISASTERS ON A REGIONAL SCALE. NEPAL'S EXPRESSED DEVELOPMENT POLICY TO DEAL WITH THESE PROBLEMS IS GENERALLY SOUND, BUT IS IMPLEMENTATION LEAVES MUCH TO BE DESIRED. WE SHOULD CONTINUE TO ENCOURAGE THE GOVERNMENT, THROUGH OUR OWN EXAMPLE AS WELL AS THROUGH THE MECHANISM OF THE NEWLY CREATED DONOR CONSULTATIVE GROUP, TO MAINTAIN THE PRIORITY OF RAISING THE LIVING STANDARD OF THE RURAL POOR RATHER THAN CONTINUING ITS PAST PRACTICE OF

HEAVY INVESTMENT IN CAPITAL PROJECTS WHICH OFTEN SERVES TO MAINTAIN
EXISTING ELITES.

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9. OUR AID PROGRAMS ARE "PEOPLE ORIENTED"; OUR PRESENT EFFORTS -- CONCENTRATED IN THE FIELDS OF RURAL HEALTH DEVELOPMENT, RAISING AGRICULTURAL OUTPUTS, POPULATION CONTROL AND IMPROVEMENT OF RURAL TRANSPORT AND COMMUNICATIONS -- ARE CONSISTENT WITH NEPAL'S OWN PRIORITIES. CONSIDERATION IS BEING GIVEN TO REINFORCING THESE EFFORTS THROUGH SUPPORT FOR RURAL AREA DEVELOPMENT ACTIVITIES AND ASSISTING IN VITAL PRESERVATION OF SOIL AND FOREST RESOURCES. PRESENT AND FUTURE PROJECTS SHOULD BE DESIGNED TO INCREASE PEOPLES' PARTICIPATION IN THE DEVELOPMENT PROCESS AS A PRINCIPAL INGREDIENT IN THE ALLEVIATION OF RURAL POVERTY. PEACE CORPS PROGRAMS ALSO REFLECT THESE PRIORITIES AND ARE AIMED AT INCREASING THE AVAILABILITY OF FOODS, ARRESTING THE EFFECTS OF DEFORESTATION AND EROSION, AND IMPROVING HEALTH DELIVERY SYSTEMS AND, AS SUCH, ARE A VITAL SUPPLEMENT TO OUR LARGER AID PROGRAMS.

10. US BILATERAL AID CONTRIBUTIONS HAVE REMAINED RELATIVELY STABLE, RANGING FROM A LOW IN FY 1974 OF \$5.8 MILLION TO A CURRENT LEVEL IN FY 1977 OF \$13.0 MILLION. ALTHOUGH THERE ARE SOME PRESSURES BY HOST COUNTRY OFFICIALS TO INCREASE OUR LEVELS OF

AID, THESE LEVELS SEEM CONSONANT WITH OUR POLICY OF LETTING
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MILITILATERAL DONORS TAKE THE LEAD AND WITH OUR OWN LIMITED POLITICAL AND ECONOMIC OBJECTIVES IN THE COUNTRY. A SIGNIFICANT INCREASE OVER CURRENT LEVELS WOULD RAISE QUESTIONS CONCERNING NEPAL'S ABILITY -- GIVEN LIMITED MANPOWER RESOURCES -- OF ABSORBING LARGER PROJECTS AND COULD RAISE FALSE HOPES ABOUT THE LEVELS OF THE US POLITICAL COMMITMENT TO THE COUNTRY. USAID, CHARGED WITH IMPLEMENTING THE LONG TERM INTEREST OF DEVELOPMENT ASSISTANCE FOR THE WORLD'S LEAST DEVELOPED NATIONS -- SUCH AS NEPAL -- WOULD ARGUE THAT CONSIDERATION OF SPECIFIC AID LEVELS IS LESS IMPORTANT THAN THE NEED TO DEVELOP EFFECTIVE PROJECTS DESIGNED IN LIGHT OF THE COUNTRY'S NEEDS. THE FOCUS OF US DEVELOPMENT EFFORTS, ACCORDING TO AID, THEREFORE, SHOULD BE ON SPECIFIC GOALS, RATHER THAN ON THE ISSUE OF LEVELS WHICH MAY VARY FROM YEAR TO YEAR IN ACCORDANCE WITH PROJECTS DESIGNED TO PURSUE OUR LONGER RANGE DEVELOPMENT OBJECTIVES AND RESPONSIBILITIES TO ASSIST THE LDCS.

11. DESPITE THE PASSAGE OF NEW NARCOTICS CONTROL LEGISLATION, NEPAL REMAINS A MAJOR SOURCE OF ILLICIT CANNABIS IN WORLD MARKETS. OUR EFFORTS TO INTERDICT THIS TRAFFIC WILL HAVE TO FOCUS ON NEW ENFORCEMENT TECHNIQUES BY POLICE AND CUSTOMS. TO THAT END WE CONTINUE TO SUPPORT SMALL TRAINING PROGRAMS AIMED AT CREATING A CADRE OF TRAINED OFFICIALS SUFFICIENTLY DEDICATED TO RESIST THE EVER PRESENT TEMPTATION OF CORRUPTION. WHILE WE HAVE HARBORED NO ILLUSIONS ABOUT THE DIFFICULTY OF HALTING DRUG SMUGGLING, WE HAVE BEEN REASONABLY SUCCESSFUL IN ALERTING GOVERNMENT OFFICIALS TO THE INHERENT DANGER IN TURNING A BLIND EYE TO NARCOTICS IN NEPAL.

12. GIVEN NEPAL'S RELATIVE LACK OF CULTURAL AND EDUCATIONAL FACILITIES, USIS ACTIVITIES ARE HIGHLY VISIBLE AND FILL A SIGNIFICANT GAP FOR THE COUNTRY'S INTELLECTUAL AND EDUCATIONAL LEADERSHIP. USIS ACTIVITIES RIGHTFULLY FOCUS ON GOVERNMENT LEADERS, MEDIA REPRESENTATIVES AND THE NATION'S STUDENTS. THEY PROVIDE AN IMPORTANT ADJUNCT TO THE MISSION'S POLITICAL, ECONOMIC AND DEVELOPMENT INTERESTS.

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13. I BELIEVE THAT OUR PRESENT RESOURCES ARE SUFFICIENT TO CARRY OUT OUR LIMITED OBJECTIVES IN NEPAL AND THAT CURRENT LEVELS OF US PROGRAMS REALISTICALLY REFLECT OUR SHORT-TERM INTERESTS AND OBJECTIVES IN NEPAL.

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